

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

31 October 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Inexco Oil Company	CASE
for a unit agreement, Chaves	8387
County, New Mexico.	

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation	Jeff Taylor
Division:	Attorney at Law
	Legal Counsel to the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

For the Applicant:

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3 MR. STOGNER: We'll call first
4 Case Number 8387.

5 MR. TAYLOR: Application of
6 Inexco Oil Company for unit agreement, Chaves County, New
7 Mexico.

8 The applicant has requested
9 that this case be continued.

10 MR. STOGNER: Case Number 8387
11 will be so continued, I believe until the Examiner's Hearing
12 scheduled November 28, 1984.

13 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY
that the foregoing Transcript of Hearing before the Oil Con-
servation Division was reported by me; that the said tran-
script is a full, true, and correct record of the hearing,
prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete and correct transcript of the hearing in
the case of 8387
heard by me on Oct. 31 1984
Michael E. Stegner, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

28 November 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Inexco Oil Company
for a unit agreement, Chaves
County, New Mexico.

CASE
8387

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. STOGNER: The hearing will come to order, Docket Number 45-84, November 28th, 1984.

We'll first call Case Number 8387.

MR. TAYLOR: The application of Inexco Oil Company for a unit agreement, Chaves County, New Mexico.

I believe that the applicant has requested a continuance of this case.

MR. STOGNER: Case Number 8387 will be continued to the Examiner Hearing scheduled for December 19th, 1984.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8387, heard by me on November 28, 1984.

Michael E. Hagan, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

19 December 1984

EXAMINER HEARING

IN THE MATTER OF:

Application of Inexco Oil Company CASE
for a unit agreement, Chaves County, 8387
New Mexico.

BEFORE: Gilbert P. Quintana, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Commission
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr
Attorney At Law
CAMPBELL & BLACK P. A.
P. O. Box 2208
Santa Fe, New Mexico 87501

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I N D E X

STATEMENT BY MR. CARR 3

L. J. TACCONI

Direct Examination by Mr. Carr 4

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3 MR. QUINTANA: We will call
4 next Case 8387.

5 MR. TAYLOR: The application of
6 Inexco Oil Company for a unit agreement, Chaves County, New
7 Mexico.

8 MR. CARR: May it please the
9 Examiner, my name is William F. Carr, with the law firm
10 Campbell and Black, P. A., of Santa Fe, appearing on behalf
11 of Inexco Oil Company.

12 I have two witnesses who need
13 to be sworn.

14 MR. QUINTANA: Are there other
15 appearances in the Case 8387?

16 If not, may the witnesses stand
17 and be sworn in?

18 (Witnesses sworn.)

19 MR. CARR: May it please the
20 Examiner, initially I'd like to point out that there has
21 been a change in the size of the unit.

22 The unit was originally ap-
23 proved by the BLM. There were staffing changes recently in
24 BLM and they requested that the size of the Arroyo del Man-
25 cho Unit be slightly decreased.

The advertisement in the case

is adequate inasmuch as there has been no change in the townships or ranges affected by this change.

L. J. TACCONI,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your full name for the record, please?

A My name is Leslie J. Tacconi.

Q By whom are you employed and in what capacity?

A I'm employed by Inexco Oil Company as a petroleum landman.

Q Mr. Tacconi, have you previously testified before this Commission or one of its Examiners and had your credentials as a landman accepted and made a matter of record?

A Yes, I have.

Q Are you familiar with the application filed in this case by Inexco Oil Company?

A Yes, I am.

Q Are you familiar with the Arroyo del Mancho Unit?

A I am.

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2 MR. CARR: Are the witness'
3 qualifications acceptable?

4 MR. QUINTANA: They are con-
5 sidered acceptable.

6 Q Mr. Tacconi, will you briefly state what
7 Inexco seeks to accomplish with this application?

8 A We seek to request and hopefully gain ap-
9 proval of a unit agreement for the development and operation
10 of the Arroyo del Manco Unit Area.

11 Q Have you prepared or compiled certain ex-
12 hibits for introduction in this case?

13 A Yes, I have.

14 Q Will you please refer to what's been
15 marked for identification as Inexco Exhibit Number One --

16 A Inexco --

17 Q -- and explain what this is?

18 A Inexco Exhibit Number One is a rough
19 draft form unit agreement, which has been approved on prior
20 occasions by the BLM and the State agencies.

21 Q Would you review the attachments to that
22 unit agreement?

23 A Attached to the unit agreement are an Ex-
24 hibit A, which is a plat showing the unit outline in diag-
25 onally striped outline.

It shows the Federal acreage uncolored;
the State acreage cross hachured; and the fee acreage
shaded.

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2 It also has a recapitulation of Federal,
3 State, and fee land, showing the total acreage and the per-
4 centage to the unit area.

5 Q Would you review the percentage breakdown
6 of the different types of ownership in the unit?

7 A Yes. There's total acreage of 24,574.69
8 acres in the unit area, of which 16,414.80 acres, or
9 66.79555 percent of the unit area is Federal lands.

10 State lands total 5,079.89 acres, or
11 20.67123 percent of the unit.

12 Fee lands total 3,080 acres, or 12.53322
13 percent of the unit area.

14 Q Mr. Tacconi, this is a voluntary unit?

15 A This is a voluntary divided interest
16 unit.

17 Q What do you mean by divided interest
18 unit?

19 A By divided interest unit, any of the non-
20 operators or working interest owners can propose a well at
21 any location on the unit, and if unit operator deems to
22 drill it, unit operator may drill the well or the non-opera-
23 tor or operator of the tract in question, or drilling block,
24 can drill a well on its own behalf.

25 At such time as commercial production, as
defined under the unit agreement is established, then, and
only then, will the -- that -- such type well come under the
auspices of unit operator, where unit operator will control

1
2 the participating areas.

3 Q Mr. Tacconi, will you now review Exhibit
4 B to the unit agreement?

5 Q Exhibit B is a schedule of leases, which
6 shows the tract numbers, tract description, number of acres,
7 serial register number and expiration date, where applic-
8 able, basic royalty, ownership and percentage thereof, the
9 lessee of record, any overriding royalties, and the working
interest owners and percentages.

10 And then at -- on the last page of the
11 schedule, which is denoted as Exhibit B, there is again a
12 recapitulation of the Federal, State, and fee acreage, and
13 the percentages thereof.

14 Q Have you contacted the major interest
15 owners in the unit?

16 A Yes, we have.

17 Q Do you anticipate sufficient voluntary
18 participation to give Inexco effective control of unit oper-
ations?

19 A We anticipate control of the unit in ex-
20 cess of 75 percent.

21 Q Would you now refer to Exhibit C to the
22 unit agreement?

23 A Exhibit C is a REMOGA form, or Rocky
24 Mountain Unit Operating Agreement form, for a divided inter-
25 est unit, which is specifically designed for unit agree-
ments.

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2 The standard or most accepted operating
3 agreement form that you'll see in New Mexico is an AAPL
4 form, either 5677 or 82 Model Form.

5 In the Rockies you see quite a bit of the
6 REMOGA form, which lends itself to unitization more readily
7 than the AAPL form, and consequently, that's why we decided
8 on the REMOGA form.

9 Q Has the unit agreement been approved by
10 the State Land Office as to form and content?

11 A Okay. On the Arroyo del Mancho we had
12 preliminary approval on the -- on the unit and then we re-
13 ceived a letter. Pete Martinez or Ray Graham, I believe,
14 have contacted the Examiner as to their preliminary appro-
15 val.

16 MR. CARR: Gilbert, they tried
17 to contact you yesterday.

18 A Monday.

19 MR. CARR: Did they reach you?

20 MR. QUINTANA: They -- I called
21 them up and called them back. He was busy and in this lease
22 sale and I never got a chance to talk to him.

23 MR. CARR: We will also supply
24 after the hearing --

25 A We will supply you with the letters on --

MR. CARR: -- a letter.

A -- that.

Okay, there were some typographical er-

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2 rors between the application and the unit agreement and
3 these will be corrected.

4 Q Has the unit --

5 A Per their instructions.

6 Q Has the unit agreement been designated by
7 the BLM as an area logically suited for unit development?

8 A Yes, it has, and I offer that as Exhibit
9 Number Two.

10 Q That is their letter?

11 A A copy of the BLM letter designating the
12 unit.

13 Q And it is Inexco's desire to be desig-
14 nated operator of the unit?

15 A Yes, it is.

16 Q Does the unit agreement provide for per-
17 iodic filings of plans of development?

18 A Yes, it does, after the establishment of
19 commercial production.

20 The unit agreement provides for a well to
21 be drilled within six months of the effective date of the
22 final approval of the unit and for a drilling interval of
23 six months until commercial production is established.

24 Upon establishment of commercial produc-
25 tion, then unit operator within six months of the establish-
ment of such production will file with the Land Office, with
the Commission, and with the BLM a plan of development and
revisions thereof, normally yearly.

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2 Q Will Inexco call another witness who will
3 testify as to the geological concerns?

4 A Yes, we will.

5 Q In your opinion will approval of the pro-
6 posed unit and unit operations be in the best interest of
7 conservation --

8 A Yes.

9 Q -- the prevention of waste, and the pro-
10 tection of correlative rights?

11 A Yes.

12 Q Was Exhibit Number One prepared by you?

13 A Yes, it was.

14 Q And was -- and Exhibit Two is the BLM
15 letter.

16 A The BLM letter was in response to our ap-
17 plication.

18 MR. CARR: At this time, Mr.
19 Quintana, we would offer Inexco Exhibits One and Two.

20 MR. QUINTANA: Exhibits One and
21 Two will be entered into evidence.

22 MR. CARR: I have nothing fur-
23 ther on direct of Mr. Tacconi.

24 MR. QUINTANA: Are there any
25 further questions of the witness?

If not, he may be excused.

MR. CARR: At this time I'd
call Mr. Carlisle.

JOEL CARLISLE,
being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Would you state your name and place of
residence?

A Joel Carlisle. I live at 101 Prince of
Wales, Conroe, Texas.

Q Mr. Carlisle, by whom are you employed
and in what capacity?

A I'm employed by Inexco Oil Company as a
geologist for New Mexico and West Texas District.

Q Have you previously testified before this
Commission or one of its examiners and had your credentials
as a geologist accepted and made a matter of record?

A Yes, I have.

Q Are you familiar with the application
filed in this case and the subject area?

A Yes, I am.

MR. CARR: Are the witness'
qualifications acceptable?

MR. QUINTANA: Yes, they are.

Q Have you -- have you prepared certain ex-
hibits for introduction in this case?

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A Yes, I have.

Q Would you please refer to what's been marked for identification as Exhibit Number Three and explain what this is and what it shows?

A Okay. Exhibit Three is a geologic report covering the proposed unit and documents and maps in support of that unit request.

Q Where is this unit located?

A This unit is located approximately thirty-five miles north of -- well, let's see, yeah, about thirty-five miles north of -- no, it isn't either.

It's in 5 South, 22 East, Section 33 is where we propose to drill the well and it consists of 24,574 acres and is in Chaves County, New Mexico.

Q What is the primary objective in this unit?

A The primary objective is the Abo Sands.

Q Are there secondary --

A We do not consider secondary objectives of consequence in this particular unit.

Q Well, what are Inexco's plans for development of the unit? When do you plan to drill a test well?

A Upon acquiring all the necessary approvals and compliance with any requirements, we expect to try to drill this well sometime within 1985, probably the last half of '85.

Q And do you know where that well will be

located?

A That well will be located in the south-west quarter of Section 33, 5 South, 22 East.

Q Would you generally describe for Mr. Quintana the geology of the area and in so doing refer to the Isolith and cross sections which you have in Exhibit Three?

A Well, the proposed unit is located on what has generally been referred to as the Pecos Slope, which is the eastern flank from the Pedernal Uplift and this is an area that became emergent in the PrePermian time and partially defined by the subcrop of the PrePennsylvanian.

During the Abo time or -- and Wolfcamp time the emergent Pedernal land mass supplied a tremendous mass of clastics to this area, on which numerous streams and bar channels, channels and bar sands were developed.

This map, indicated as Exhibit A in the report, the Isolith of the Abo Sand will reasonably well define the overall area of interest and the unit that we are now discussing is designated on the upper lefthand part of the map and colored and outlined in green, with the designated proposed location down in the southern part of the unit.

This map is prepared on the -- by me on the -- and is an Isolith of the net sand greater than 10 percent porosity within the Abo itself.

The Abo, or 10 percent cutoff figure was

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2 used because that's what we figure the economic limit to be
3 in these sands and therefore the map was constructed on that
4 basis.

5 The Exhibit B, which is a cross section
6 through the general area running from southwest to the
7 northeast, has an index map on the bottom left-hand corner of
8 this map, will also show the position of this cross section
9 through the proposed unit and again it's supplied merely to
10 demonstrate the type of sands that we're dealing with, the
11 type of completions, if any, that have been made in those
wells, and the lenticularity of the sands.

12 Exhibit C is an additional cross section
13 within the general region and also has an index map on the
14 bottom center of it and runs from south to northeast, south-
15 west to the northeast, I should say, and again will cross
16 just to the southeast boundary of the proposed unit through
17 a producing area and up into one of the other units that
we'll be discussing later.

18 Again this will show you the producing
19 wells to the south, their IP's, and the continuity of the
20 sands within the area, and which serves, I think, to demon-
21 strate the high risk that we're going to be involved in
drilling in this area.

22 Q Now this exhibit also contains a well
23 prognosis and an AFE.

24 A Yes.

25 Q Would you just review those quickly for

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the Examiner?

A Okay. In the back portion of the report there is a well prognosis that will show the anticipated tops of the formations, the Glorieta, the Tubb, and the Abo, and then the well cost estimate as prepared by our engineering department at my request, which has been attached in the back here.

 That cost, total completed figure is \$300,200. That's through completion based on their best estimates.

Q Mr. Carlisle, in your opinion will granting this application and unit operations of this area be in the best interest of conservation, the prevention of waste, and the protection of correlative rights?

A It would.

Q Was Exhibit Three prepared by you?

A Yes, it was.

 MR. CARR: Mr. Quintana, at this time we would offer into evidence Inexco Exhibit Number Three.

 MR. QUINTANA: Inexco Exhibit Three will be accepted into evidence.

 MR. CARR: That concludes my direct examination of Mr. Carlisle.

 MR. QUINTANA: Are there any further questions of the witness?

 If not, he may be excused.

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Case 8387 will be taken under
advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY
that the foregoing Transcript of Hearing before the Oil Con-
servation Division was reported by me; that the said tran-
script is a full, true, and correct record of the hearing,
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Sally W. Boyd CSR

I do hereby certify that the foregoing is
a correct and true transcript of the hearings in
the case of the hearing of case No. 8387
heard by me on DEC. 19 1984.

Gilbert P. Quintana Examiner
Oil Conservation Division